

**Minutes of the Annual General Meeting of Rivermead Court Limited**

**Held at the Hurlingham Club on Monday 4<sup>th</sup> June 2018 at 7.00pm**

**Directors Present:**

Mr Thomas Hackett	Chairman
Lady Fiona Fowler	Company Secretary
Mrs Carol Ferguson	Chair of the Finance Committee
Mr Peter Green	Director
Mrs Deborah Richards	Director
Mr Timothy Soane	Director
Mr Timothy Halford	Director

**Directors Not Present:**

Mr Michael Stevens	Director
Mr Richard Pollitzer	Director
Mr Bernard Weatherill	Director

**In Attendance:**

Mr Peter Tiao	Treasurer
Mr Ian Gilbert	Managing Agent, Faraday
Mr Graeme Elkington	Building Surveyor, Faraday

**Invitees:**

Mr Oliver Spevack, and Mr Jeremy Smith, Wellden Turnbull Ltd Auditors  
Mr Stephen Richards – Resident and Tax Accountant

Thomas Hackett Chairman of the Meeting took the Chair and welcomed the shareholders of Rivermead Court Limited for their attendance at the Annual General Meeting.

The Chair highlighted three procedural points: -

- (a) The Chair sought shareholders' consent to proceed with the meeting although the 21 days notice prescribed by the Memorandum and Articles of Association had elapsed, the 14-day requirement acceptable under Company Law had been

fulfilled. Added to that shareholders were notified of the meeting's date, time and place in the Newsletter that was been sent out in April – therefore the AGM could lawfully proceed.

- (b) The reason for reversing the order of business – the Pipework Project and Lease Extension were to be discussed before ordinary business
- (c) The final procedural point was made in relation to the lease extension – in explaining the facts of the lease extension today or in the future on the proposed offer to extend leases neither RCL (Rivermead Court Ltd) or the Board can be considered as providing any financial, personal or legal advice for each individual leaseholder's situation or the suitability for that leaseholder to accept or decline the offer when it is made. The offer will be made on behalf of the company of which the leaseholders are also shareholders. It is for those persons to decide as leaseholders whether to accept it and to take whatever advice considered appropriate. The offer eventually will be made to each leaseholder is non-negotiable based on principles based on legislation and professional practice.

### **Other Matters**

#### **Lease Extension – Carol Ferguson (CF)**

Detailed explanatory notes regarding the lease extension were previously circulated to residents - CF delivered a succinct presentation on this subject. Questions were asked at the end of the presentation - **Appendix 2**

#### **An update on the status of the Pipework Project**

Delivered by Tim Soane – summary notes **Appendix 3**

#### **The Chairman's Statement - Appendix 1**

Delivered by Thomas Hackett

### **Ordinary Business**

#### **Ordinary Resolutions**

- 1. To receive and adopt the Directors' Report and the financial statements for the year ended 31 December 2017 and the report of the auditors thereon (the "Accounts").**  
Proposed by Thomas Hackett and Seconded by Peter Green
- 2. To re-elect Lady Fiona Fowler, who retires by rotation, as a Director.**  
Proposed by Deborah Richard and Seconded by Tim Soane

**3. To re-elect Timothy Peter Julian Halford, who retires by rotation, as a Director.**

Proposed by Deborah Richard and Seconded by Tim Soane

**4. To elect Carol Cecilia Ferguson as a Director.**

Proposed by Deborah Richard and Seconded by Tim Soane

**5. To re-appoint the Wellden Turnbull Ltd as auditors and to authorise the directors to fix their remuneration**

Proposed by Fiona Fowler and Seconded by Carol Ferguson

All the resolutions were passed

Thanks to Richard Pollitzer for 23 years' service on the Board (see Chairman's Statement below)

**Treasurer's Report – Appendix 4**

Delivered by Peter Tiao

**Questions asked at the Rivermead Court AGM**

**4<sup>th</sup> June 2018**

**Questions on the Lease Extensions & Pipework**

**Flat 58**

***Valuations for the Lease Extensions; will this information be circulated, and will the methodology for their calculation be explained to explain the rationale?***

Calculations will be based on the statute and case law; it is a standard formula. Valuations will be the professional advice of the chosen valuer and reflect size, aspect and height above ground. HMRC of course has the right to challenge these figures, as with everything, but is unlikely to do so.

**Flat 45**

***How do you propose to treat people who do not extend their lease?***

No differently. This is a voluntary offer

The value of their property will be adversely affected. Ultimately RCL will receive the benefit.

## **Flat 56**

***Concerned about the level of the Reserve Fund, how do RCL propose to pay for major works in the future like the lifts, how would these be paid for whilst maintaining the reserve fund? I would not want the Service Charge increased.***

Looking at the projected cash position for the company as a whole - available cash coming in will comprise lease extension income plus the service charge contribution to the reserve fund, while expenditure will be all the planned major works including pipework and, further in the future, the lifts. The Board fully expects that enough leaseholders will wish to take up the proposed lease extension offer to cover the pipework. It is not necessary for all the leaseholders to take up this offer, indeed it is expected that some will not. If necessary RCL will draw on its reserves in the short term as a bridging measure until the lease income is received. We do not therefore foresee any need to increase the service charge. Ultimately, it is likely that those not renewing on this offer will want to extend their leases in due course and this will help to provide future funds for major works as required. As discussed elsewhere, the cost of extending is likely to increase with the passage of time. The Service Charge will not go up for those who do not extend their leases. The value of their flats will be adversely affected, and if they or their successors wish to extend the lease, it will cost more, and that money will come to RCL.

## **Flat 17**

***If following the poll, the majority decide to extend, how long to get the funds together?***

The valuation and offer will be kept open for a fixed period to allow people time to consider the offer and get their funds organised.

## **Flat 113**

***'Surrender My Lease!' What happens then?***

Surrender and re-issue is an option. More likely you will get an addendum that gives the lease extension and another that will make the pipework lease changes.

## **Flat 9**

***Are those who extend the lease subsidising those who do not choose to extend?***

No, as those who do not extend will have their property revert to RCL at the end of the lease period, alternatively if they delay, they or a future owner will have to pay more to extend their lease and pay for their own valuation.

**Flat 125**

***A very few residents have their own boilers, how will they differ?***

Tim Soane volunteered to speak to the resident who asked the question

**Flat 95**

***What is the transition time to the new heating system?***

15 years

***When do the 15 years start?***

At a point in the future yet to be decided.

**Flat 125**

***Will you be introducing water meterage; will we get meters fitted?***

Need a discussion with Thames Water, but hopeful, you will pay for what you use.

**Flat 111**

***I have my own hot water supply, where my consumption is controlled, what will I lose before I start to pay?***

Greater control of what you use, and you only pay for your own consumption.

**Flat 56**

***We will have to do some work in our own flats to accommodate the new pipework?***

The cost of work inside flats will vary a lot depending on your personal circumstances, the layout of your flat, etc. The £20,000 figure quoted was an indication from a few years ago of the cost of both the work inside flats and on the infrastructure.

**Flat 43**

***When will we be asked to extend the lease?***

Every resident will be balloted as to their intention to extend their lease or not This is voluntary. So far as the changes to the leases relating to the pipework are concerned, we need a 75% vote in favor. Assuming the Tribunal agrees, all leases will be changed.

## **Other Questions**

### **Flat 162**

***Very concerned that RCL is holding personal data as this is potentially in breach of GDPR, and the fact that RCL asks about disability.***

Data is held for Health and Safety and in case of an emergency within the flats. A summary of RCL's policy was given in the last Newsletter. A Privacy Policy is currently being written and will be on the website.

### **Flat 162**

***The value of the property stock, 1 of the flats is in vacant possession and is listed as stock.***

Flat 91 is shown in the accounts as "stock" and not as an "investment asset". For accounting purposes, stock is valued at the lower of cost (plus cost of improvement) and market value. This is different to the treatment accorded to investment assets.

### **Flat 165**

***Will RCL reconsider its 'No Dog' policy?***

Currently we do not plan to.

## **Other Comments**

### **Flat 78**

Thanked the Board for all their hard work

#### **The Chairman's vote of thanks**

The Chairman thanked the members for their attendance at the Annual General Meeting, the Board, the members of the Sub Committees and the staff of Rivermead Court.

Thereafter the Chairman declared the meeting as concluded.

## **Appendix 1**

### **Chairman's Statement**

**Rivermead Court Limited AGM**

**19h00 on 04.06.2018 at The Hurlingham Club**

## **RIVERMEAD COURT LIMITED**

### **CHAIRMAN'S STATEMENT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2017**

The chairman presents his statement for the period.

#### **RESULTS**

For the Company (RCL) and for the estate, 2017 in many respects has been a quieter year compared to 2016, which is reflected in the Company's financial statements and in the Service Charge accounts. The heavy but essential outlays on the Boiler House, on the pipework and on storage tanks were largely concluded in the previous year through 2017 saw some expenditure to complete the work (see below). The Service Charge continues to reflect the water hygiene problems of the previous two years but the costs of rectifying them have been shared with the Company. As a result, the Service Charge turned around from a small deficit at the end of the previous year to end up with a small surplus; likewise, the Reserve Fund for Major Expenditure which started the year with a small negative balance finished in surplus. Part of the improvement in the Service Charge account has been due to a contribution of £40k (2016 - £100k) by the Company towards the continuing costs totaling £90k (2016 - £190k) of monitoring and ensuring water hygiene throughout the Rivermead Court system. The costs of ESP, Advisers to Rivermead Court on water hygiene (£19k) have also been assumed by the Company. Finally, the Company has also taken on the costs of £129,663 of the electronic fire detection system which was initially budgeted as a Service Charge Reserve Fund expenditure (see "Fire Precautions and Security" below). This re-allocation has contributed to the surplus in that account while creating a loss in RCL.

#### **PRINCIPAL EVENTS**

##### **HEATING, HOT-WATER AND WATER-HYGIENE**

The continued programme of water-hygiene sampling, disinfection and remediation remains a significant cost and man-power burden which may become lighter only so long as residents remain vigilant in regularly flushing their hot water outlets, especially those which are used only infrequently. Regular (at least weekly) flushing will reduce

costs by enabling sampling and testing to be less intensive than has been necessary over the past eighteen months and of course should reduce the risk to the individual's and the community's health. There were some remaining expenses on the boilers and related pipework. We continue to repair leaks and faults as they arise, but no major expenditure is planned until the pipework project can start. As of the time of writing, the Board is awaiting the opinion of Counsel who was consulted at the end of April on the proposals to be presented to residents and the approach to be adopted towards the Tribunal before the work may begin. Taking into account the time to consult residents, to obtain the Tribunal's consent and to arrange and award the tender for contractors, any physical construction is unlikely to start before the second half of next year.

### **GARDEN AND GROUNDS**

Having completed the first year of its contract to maintain the gardens, Sheen Gardening has justified its selection by the evident improvement although the Garden Committee realises that further work is required. If residents would like to make suggestions, or maybe criticisms of the gardens, they are asked to address them in the first instance to the Garden Committee to whom James Sheen reports. As mentioned in the recent Newsletter, the Board is assessing options for re-laying the surface of the River Walk. So that residents may continue to take advantage of the path during the Summer, the work itself is unlikely to begin before the Autumn. Similarly, it is planned to tidy up the Secret Garden later in the year.

### **FIRE PRECAUTIONS AND SECURITY**

In addition to the electronic fire and smoke detection system in the common parts including the Basement (see "Results" above), smoke-sealing and fire-proof gap filling were also undertaken in 2017. The Estates Committee is currently assessing tenders for the emergency lighting in the Estate's communal areas and on the rear service staircases. Work is expected to begin later this year once the Estate's internal wiring has been tested. To improve security, the CCTV cameras placed around the estate and the control panel in the Porters' Lodge have been up-graded. While all recently renovated flats (and those currently undergoing renovation) are required by Building



Regulations to be equipped with smoke alarms, fitting such alarms is strongly advised (though not mandatory) for unrenovated flats.

### **GARAGES, PARKING AND STOREROOMS**

The garages at the front of the Estate (Nos. 54 – 99) have been overhauled and the roadways repaired and widened by replacing the cracked paths with deep-set kerbstones to border new plant beds. Climbing plants were planted to grow on the new trellises along the side walls. New storerooms have been fitted out in the basement and the existing ones partly renovated. This has enabled residents to empty garages previously being used for storage and release them for keeping cars. The measures to reduce unauthorised parking will be monitored over the coming months to ensure that they are effective in increasing available parking spaces without adversely affecting residents and visitors.

### **STAFF**

At the beginning of this year, Jack Tofield retired after nearly twenty years of sympathetic and diligent service on behalf of Rivermead Court. He played an important part to ensure the security, comfort and well-being of the resident community which recognised his contribution in its generous farewell gift. After a rigorous selection process, the Board appointed Mrs Anne Isaacs to succeed him as Estates Manager. Her arrival is welcomed by the Board and she has already had a positive impact on the running of Rivermead Court. Two new night porters – Abel Abebe and Dylan Fowler - joined the staff in 2017 to replace their predecessors who had resigned. The record amount contributed by residents to the Staff Christmas Fund this Christmas demonstrated the affection and esteem in which the team of porters and cleaners are held by the Rivermead community. In March 2017 Faraday Property Management informed the Board that the company had been acquired by HML Group. The Board has been assured that the management responsible for Rivermead Court will remain in place for the foreseeable future.

### **LEASE EXTENSION**

As previously mentioned in the Rivermead Court Newsletter, since the autumn of last year, a Board Working Group has been working with increasing intensity on the question of extending your leases. As has already been discovered in connection with the pipework project, anything to do with property legislation is always complex and sometimes contradictory. The Board has therefore found it necessary to seek the best possible advice from tax counsel in reaching a decision on the best way to proceed. At present, the leases have just 87 years to run. Once the period remaining on the leases falls below 80 years, the properties become less marketable and harder to mortgage. Mindful of this constraint, the Board intends to offer new leases of approximately 900 years over the next year or two. The leases will be offered on a voluntary basis and you will receive more details of our proposals in a separate letter and some answers to possible questions, both to be circulated before the forthcoming AGM, by which time the Board hopes to be in a position to be more specific. We are still at the stage of taking tax advice, and the information may still only be in outline form without all the detail which leaseholders would expect to receive in due course.

## **THE BOARD**

There have been no changes to the Board during 2017 apart from the election of Tim Soane at last June's AGM. The Board met eight times last year, not counting informal meetings and meetings of Board subcommittees, including the ones for the selection of Jack Tofield's successor. The pipework and water-hygiene sub-committee met every fortnight, the House and Estates Committees virtually every month as did the Garden Committee. I am sure that shareholders/leaseholders will join me in thanking those fellow residents who have volunteered to assist and advise the Board with their time and experience. The Board would welcome other volunteers to participate in the sub-committees (Exterior, Finance, House,) comprising both Board members and other residents, as a possible stepping stone eventually to Board membership.

The mandates of three current Board members expire at this meeting; Lady Fowler and Tim Halford have offered to put themselves forward for re-election and I would ask shareholders to approve the renewal of their mandates. After 23 years of service on the Board, Richard Pollitzer will not be standing for re-election so as to make way for Carol

Ferguson (see below). The Board has greatly appreciated his presence on and active participation in the Board and would like to record its thanks for his many years of unfailing attendance and positive contribution to its discussions. I would like to propose that Carol Ferguson be elected in the place now vacated. A chartered accountant and with many years' experience in finance and investment at a senior level, Carol has been chairing the Rivermead Court Finance Committee since June 2016 and more recently has been leading the investigations on the lease extension. She has been attending Board meetings and participated fully in its deliberations.

### **CONTACT DETAILS**

The Board has requested the Estate Manager to ensure that contact details for all residents and leaseholders (where they are not resident, either living mainly elsewhere or sub-letting their properties) are provided to her and to the managing agents. The importance of having complete and up-to-date contact details (addresses, telephone numbers both fixed and mobile, e-mail addresses – where relevant) cannot be over-emphasised either in emergencies or to keep you informed of changes and developments. Preferably, the directory should include contact details of a family member or friend who can assist in an emergency. Shareholders and residents are kindly requested to assist in the updating of the directory which will be maintained securely and only accessible for strictly Rivermead Court business and security purposes.

T E Hackett  
Chairman  
Date: 11 May 2018

## **Appendix 2**

### **Lease Extension Presentation – Carol Ferguson**

In preparing the papers you have received, we have taken advice from many quarters. In addition to legal counsel – Philip Rainey on leases and William Massey on taxation – we have our auditors, our treasurer, the managing agents and considerable experience among our Board members and individual leaseholders among others.

For example, one major area of concern was how to set about arriving at fair valuations of the individual flats and work out the premium. We interviewed and received quotations from three firms of surveyors.

One was a major firm of property valuers, one was an estate agent with a valuation department and the third was a small firm of surveyors specialising in the West London area. We hope to appoint the third of these to do our valuations but what was striking was that all three would use a similar methodology to value each property.

The method of calculation of the premium itself is decreed by a combination of statute and precedent and is based on the number of years remaining on the current lease, the abolition of the ground rent and the length of the new lease. All three gave similar responses when asked for specific figures on £1 million and £2 million flats so there is little room for argument there.

Perhaps where there is some leeway is in the actual valuations assigned to each property. The valuer understands that we are not the usual sort of greedy landlord that seeks to squeeze every last penny out of his tenants. Quite the reverse.

Another major area of concern is taxation. The taxation of property transactions is complex, and we have not yet received a final opinion from Counsel. We have a list of open questions to be answered by him but wanted to wait until after the AGM before making our final submission. We have already had an initial consultation and what remains are, we believe, points of detail that will not affect the substance of what we are trying to do.

In our discussions round the Board table and with our advisers, many questions have arisen, and we have provided you with a summary of some questions which have come up along with the answers in the Q and A pages.

However, many of you will still have questions and those that cannot be answered this evening will be noted and advice taken.

What I propose for now is that I present a few slides which attempt to summarise the arguments set out in the papers you have received and then take questions.

## In Conclusion

Some residents are concerned that there is an inherent unfairness where not all leaseholders take up the option to extend their leases.

I think the best way of looking at this is to bear in mind that Rivermead Court is a property company which happens to be owned by the leaseholders. Every penny that the Company spends is for the benefit of the leaseholders. By and large, in recent years, the bulk of the funds needed to maintain the buildings has been paid for by the leaseholders through the service charge. From time to time, the company has paid for some specific works out of its own resources. An example of this would be the fire alarm system installed last year.

The pipework project is no different from any other major works – except for the fact that it is much greater in scale and is in addition to the regular burden of major works undertaken. Furthermore, the company expects to have the money to pay for it.

It is therefore not a question of whether those extending now will have paid for the pipework. In making this offer to tenants to extend their leases, Rivermead Court Limited is undertaking to pay for the pipework costs without further recourse.

Tenants not extending now will extend later or ultimately the property will revert to the company. However, the shorter the lease, more it will cost to extend. As described in the Q and A section, question 6, once the lease falls below 80 years, the premium will jump significantly.

It is our belief that this offer to extend will be attractive to a sufficient number to cover a large part of the costs over the next three years. To the extent that there is a shortfall, there are cash and investment reserves on the balance sheet and these would be used to bridge any financing deficit in the short term.



# Minutes of the Rivermead Court AGM 2018

## When a lease is extended

- When a company extends a lease it is giving up value.
- The value of the freehold interest is reduced
- The value of the leasehold interest is increased
- The drop in the value of the freehold is the premium – normally charged to the flat owner

6/9/2018

RIVERMEAD

## Tax Law

- When a lease is extended, this is a taxable event.
- How it is taxed depends on the circumstances
- In the case of Rivermead Court there are two possible scenarios

6/9/2018

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## Two different approaches

- **Scenario 1** – Rivermead Court charges a premium
- **Scenario 2** – Rivermead Court does not charge a premium
- Each of these scenarios has different tax consequences.

6/9/2018

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## Some Assumptions

- The premium for each flat will be directly calculated on the value of the property.
- Premiums will range from about £15,000 to £29,000
- The average premium will be approximately £19,000 - £20,000
- Ground rent is abolished
- 207 flats – Total raised - some £4 million
- Corporation tax rate 19% (17% from April 2020)
- Available tax losses currently total £500,000
- Major works expenditure planned for 2018 £500,000

6/9/2018

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## Scenario 1 – normal premium charged

- Premiums received by Rivermead Court will total about £4 million if every leaseholder extends on this offer
- The company's Tax losses and qualifying expenditure can be set against income
- Any unrelieved balance is taxed at 19%
- Receipts can potentially be timed to minimise the tax payable

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## Highly Provisional estimated pipework costs

• 2018	£0.25 million
• 2019	£1.25 million
• 2020	£1.50 million
<b>• Total cost</b>	<b>£3 million</b>

6/9/2018

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## Illustrative Receipts and Expenditure

	2018	2019	2020
	£ Millions	£ Millions	£ Millions
<b>Available tax losses</b>			
Brought forward	0.50	1.25	0.50
Forecast major works	0.50		
Forecast pipework costs	0.25	1.25	1.50
<b>Sub-total - tax losses</b>	<b>1.25</b>	<b>2.50</b>	<b>2.00</b>
<b>(Lease premium income)</b>		<b>(2.00)</b>	<b>(1.50)</b>
carry forward tax losses	1.25	0.50	0.50

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## Scenario 2 – No premium is charged

- Leaseholders receive a "free" lease extension
- This is taxed as a deemed dividend receipt in the hands of the leaseholders
- There is a further risk that Rivermead Court will pay tax on the deemed premium income, regardless of the fact that no money has changed hands.
- Money still has to be found to pay for the pipework, cost of valuation and legal costs.

6/9/2018

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**Board Recommendation**

- Apart from our advisers, all of us here, including the members of the Board, are leaseholders and shareholders in Rivermead Court Limited.
- We are all, therefore, in the same position.
- After a period of consultation, the board will propose eliminating the ground rent and plans to make an offer to all leaseholders to extend our leases for 878 years or thereabouts.
- This is a voluntary offer – it is entirely up to each leaseholder as to whether they wish to accept and extend their lease at this time.

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### Appendix 3

#### Heating & Pipework Project – Tim Soane

Tim Soane updated the meeting on the pipework project. Funding was dependent on the lease extension as Carol Fergusson had described. The plan remains to offer:

- A 15-year transition
- Variable charges for heat used
- A single source per flat serving central heating and hot water from an HIU (Heat Interface Unit)

The new systems will:

- Overcome current hygiene issues
- Be in line with the current legislation and design best practice
- Minimise the burden on residents (because RCL will manage the infrastructure)

Next steps are:

- Informal consultation (after lease extensions is settled)
- Formal ballot
- Application to First Tier Tribunal
- Lease amendments
- Install the infrastructure, etc.

A leaseholder had asked by email ‘why now’, to which the answer was

- Prudence: the pipes are well past their design life
- Cost: maintaining a safe system is costing c£80,000 a year



## **Appendix 4 Treasurer's Report - Peter Tiao**

### **Rivermead Court Limited Treasurer's Report**

For the year ended 31 December 2017

I am pleased to present my report on the 2017 accounts.

You have received two sets of accounts for the year to 31 December 2017 – one set being the accounts of Rivermead Court Ltd, the Company, and one set being the accounts for the Service Charge.

For the benefit of new leaseholders, I wish to set out the context behind those two accounts.

Rivermead Court Limited was set up in 1979 to acquire the freehold of the estate and the financing was provided by the sale of leases. Each leaseholder is also a shareholder of the Company. As owner of the freehold, the Company, through its board of Directors, appoints a managing agent (currently Faraday Property Management Limited) to help in the management of the estate and to collect Service Charge monies which are used to pay for the expenditure of the estate. You receive a copy of the Service Charge accounts in your capacity as leaseholder. The Company, in its own right, receives income from the assets it holds and incurs expenditure. Company accounts are prepared to summarise these and you receive a copy in your capacity as shareholder of the Company.

#### **1. Rivermead Court Ltd Accounts**

The Statement of Comprehensive Income at page 9 shows the income and expenditure of the Company with pages 19 and 20 providing more detailed analysis.

The sources of income for the Company are: two tenanted flats, ground rent, garages, car spaces, storage units and investment portfolio. Rent from the tenanted flats has reduced as one of the flats became vacant in May 2017. The increase in rent from garages, car spaces and storage units is mainly attributable to additional storage units that were completed in 2016. Income from the portfolio is more or less in line with previous years.

In relation to expenditure, repairs and maintenance include substantial work to garages 54-99 at a cost of £116,000 and new storage units costing £19,000. These two items explain why repairs is so high at £183,739. The Company also paid for the new fire detection system and made a contribution of £40,000 to the Service Charge.



The other contribution of £35,558 represents the portion of the costs expended from the Service charge funds which the Company bears as it owns five flats and the garages within the estate. The amount is less than in 2016 when the expenditure on major work was higher.

Total income amounts to £166,269, total expenditure to £407,114, giving a loss of £240,845. The adjustment of £144,467 in respect of the increase in market value of the shares between 31 December 2016 and 31 December 2017 reduces the loss to £96,378.

For Corporation tax purposes the Company has losses in the year. There are also cumulative losses from previous years. Therefore, there is no Corporation tax liability.

The Balance Sheet on page 10 show the financial position of the company as at the year end and the notes on pages 16 to 18 provide further details.

The assets of the company consist of:

- a) Tangible assets – £163,200, which comprise the original cost price of the garages, staff flats and store rooms
- b) Property stock – £29,159, representing the original cost price of the 2 tenanted flats
- c) Investments – £2,119,548 shown in the accounts represent the market value of the portfolio (historical costs £1,484,360)
- d) Cash at bank – £353,852 of which £196,733 relate to deposits from overseas leaseholders
- e) Debtors – £59,621, represent money owed to the Company

The liabilities of the Company consist of:

- a) Creditors – £537,850, representing money owed by the company of which £196,733 relate to deposits held for overseas leaseholders.
- b) The Shareholders' Funds have decreased from £2,283,908 as at 1 January 2017 to £2,187,530 at 31 December 2017 on account of the loss of £96,378 shown on the Statement of Comprehensive Income.

## **2. Service Charge Accounts**

Pages 2 and 3 detail the regular day-to-day running costs and the Service Charge income.

Total income is £1,125,530 consisting of Service Charge income of £1,089,972 and a contribution £35,558 from the Company in respect of costs relating to company owned flats, garages and storage rooms. Total routine expenditure is £1,086,018. There is therefore a surplus of £39,512 for the year compared to a deficit of £30,635 in 2016.

Compared to the previous year, the main variances in expenditure are as follows:

- a) Other staff costs – up £11,600 due to recruitment costs for the Estate Manager
- b) Insurance – up £2,700, reflecting the general market trend of higher premiums
- c) Building repairs – down £2,700 from the previous year, but compared to the budgeted amount of £65,000, an overspend of £5,000. This category of expenditure is prone to wide fluctuations on account of the unpredictability of small repairs
- d) Lift – down £1,600 on account of less repairs, but again this category is prone to fluctuations on account of the unpredictability of small repairs
- e) Other maintenance expenditure – at £90,384 is down by £30,500 from 2016. In general, the expenditure under the various categories are more or less in line with 2016, it is the amount spent for water hygiene and contribution from the Company that create the large variation.
- f) Other expenditure items – Electricity up £8,000, attributable to price inflation
- g) Other expenditure items – Gardens up £9,000, reflecting additional work
- h) Heating costs – down £37,800, attributable to much lower repairs and maintenance.

Page 4 shows the Reserve fund. This is the fund which provides the money to meet major works expenditure.

In the year to 31 December 2017, the Reserve Charge income was £583,887, an increase of 5% as expected on 2016.

The expenditure on Major Works was £137,367. The major items were the widening of the driveways £23,400, basement fire compartment work £41,181 and repairs to the boiler distribution pipework £37,014.

In 2016, expenditure on Major Works was £559,394. The nature of major works is such that there can be large fluctuations on the amount of expenditure from year to year. This is due to the timing cycle of major works and availability of funds. Moreover, given the right circumstances, the grouping together of works, which would normally have taken place in different years, can create cost savings.

The overall position for the year as shown at page 4 of the Accounts is as follows: starting with reserve deficit of £140,671 at the beginning of the year, to which are added the surplus on Service Charge £39,512 and surplus on Reserve Charge £447,065, the closing position is a surplus of £345,906.

In the meantime, Reserve Charge Income for 2018 is being collected and together with the surplus from 2017, will fund the Major Works to be undertaken in 2018.

### **3. Charts**

#### **3.1 Service Charge Accounts - 3-year income and expenditure**

Chart 1 shows the four key elements over each of the past 3 years:

i) Service Charge income including Company contribution ii) Reserve Charge income including interest received iii) Total expenditure iv) Net surplus / (deficit) arising in each year

#### **3.2 2017 Expenditure**

Chart 2 shows the breakdown of expenditure by major categories and illustrates how the money was expended.

#### **3.3 Major works expenditure – 2014 to 2019**

The Board prepares and reviews major works expenditure plans which look forward for a number of years – Chart 3. A number of works for 2018 and 2019 has been identified and their execution will depend on the availability of funds.

It is worth reminding leaseholders that the current level of funding of major works expenditure does not take account of the funding requirement for one-off / exceptional items

– e.g. the requirement to replace the building's ageing pipework, the funding of which is being treated as a separate issue.

The forecasts for 2018 and 2019 are estimates and may be overtaken by events.

#### **3.4 Investment portfolio**

Chart 4 provides an analysis by major segments of the investment portfolio owned by Rivermead Court Ltd.

The values shown are the 31 December 2017 market values.

Peter Tiao Treasurer – 9th May 2018